

Business Results Briefing for the Fiscal Year 2020

May 12, 2021

President and Representative Director, CEO

Terukazu Kato

Today's agenda

- 1. FY2020 Business Results Overview**
- 2. Impact of COVID-19**
- 3. Domestic Business**
- 4. Overseas Business**
- 5. FY2021 Forecast**
- 6. Prospect of Chinese business**
- 7. ESG / Sustainability**

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FY2020 Business Results Overview

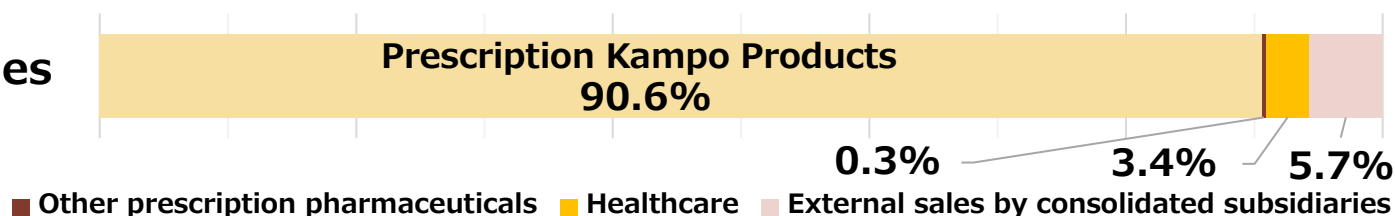


(Million yen)

	FY2020 Revised Plan (Announced on February 5, 2021)	FY2020 Results	Achievement rate	FY2019 Results	Vs. FY2019	
					Amount	Change
Net sales	130,500	130,883	100.3%	123,248	+7,635	+6.2%
Domestic	—	124,516	—	—	—	—
Overseas	—	6,367	—	—	—	—
Operating profit (Operating profit margin)	19,300 (14.8%)	19,382 (14.8%)	100.4%	18,876 (15.3%)	+505	+2.7%
Ordinary profit	20,200	20,866	103.3%	19,649	+1,216	+6.2%
Profit attributable to owners of parent	15,000	15,332	102.2%	13,765	+1,567	+11.4%

0% 20% 40% 60% 80% 100%

Ratio to total sales



Sales and profit growth despite of impact on business performance by COVID-19. (YoY)

Sales and profit achieved revised plan.

Net sales	130,883 million yen	Revised Plan achievement rate	100.3%	YoY	+6.2%
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- Domestic sales were 124,516 million yen.
- Net sales rose 5.2% year-on-year owing to the consolidation of a subsidiary in China.
- Sales of the 129 prescription Kampo products climbed 1.1% year-on-year.
- Sales of healthcare products including OTC Kampo medicines increased 16.7% year-on-year.
- Overseas sales were 6,367 million yen.

Operating profit	19,382 million yen	Revised Plan achievement rate	100.4%	YoY	+2.7%
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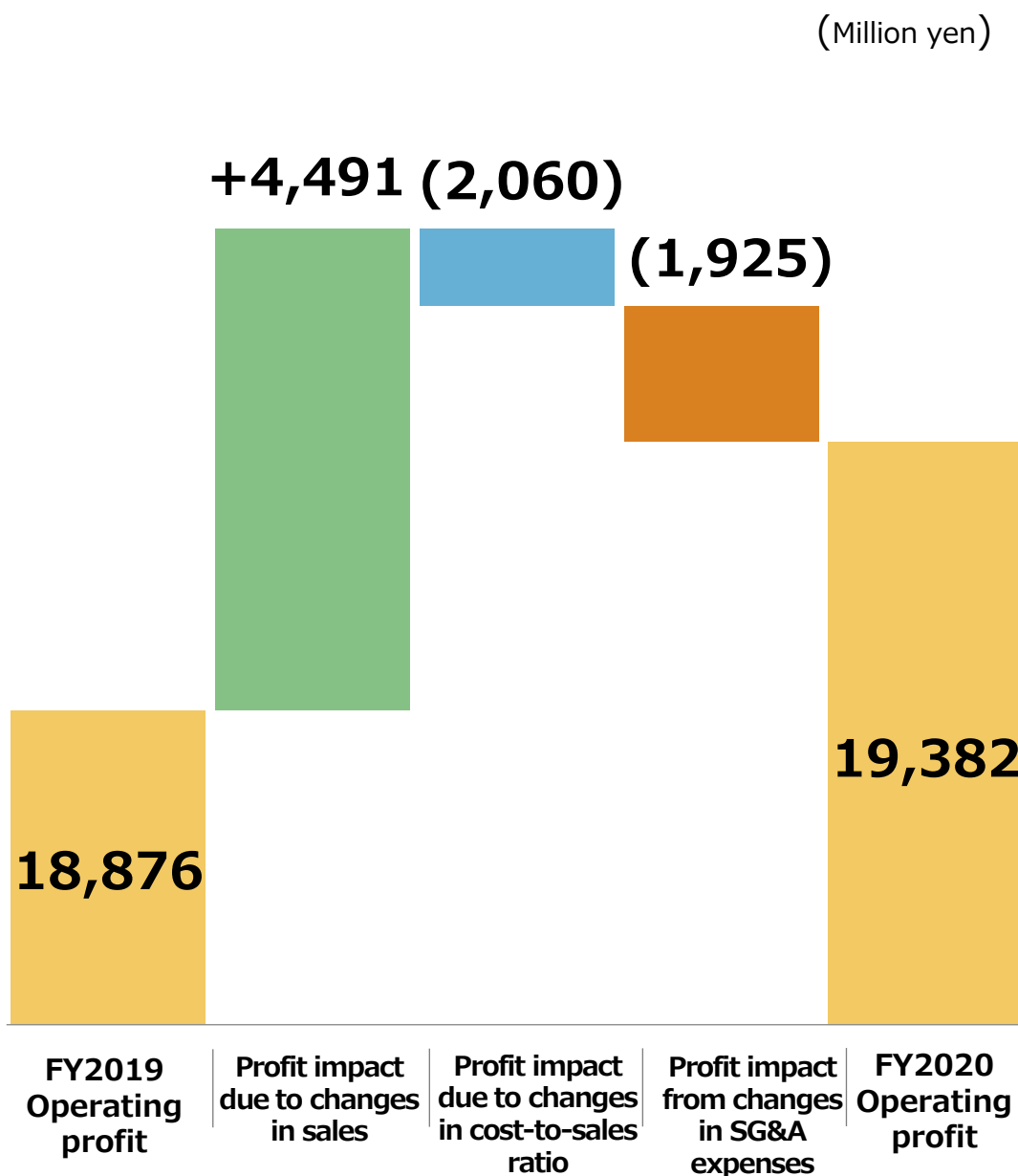
Operating profit margin	14.8%			YoY	(0.5)pt
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- The cost-to-sales ratio was 42.7%, a rise of 1.5pt year-on-year. Although crude drug-related costs were absorbed by a rise owing to the NHI drug price revision, the increase reflects impact of outside sales of China. Compared to plan, 0.2pt rose up.
- The SG&A ratio was 42.4%, a decline of 1.1pt year-on-year, mainly reflecting unused expenses due to restricted activities in tandem with the impact of COVID-19. Compared to plan, 0.3pt declined.

Ordinary profit	20,866 million yen	Revised Plan achievement rate	103.3%	YoY	+6.2%
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Profit attributable to owners of parent	15,332 million yen	Revised Plan achievement rate	102.2%	YoY	+11.4%
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Factors Triggering Changes in Operating Profit (YoY)



(Million yen)

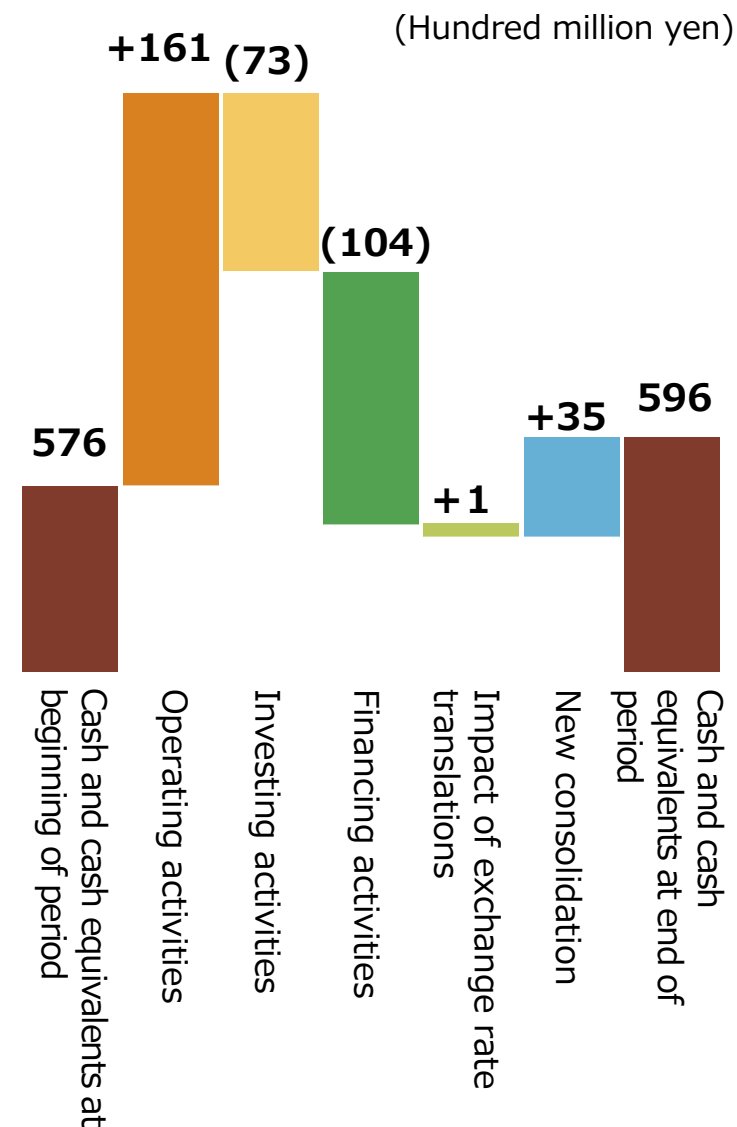
Changes in sales : Breakdown	
Domestic	+ 945
Overseas	+ 3,546
Changes in cost-to-sales ratio: Breakdown	
Sales composition (Domestic)	(523)
Crude drug-related cost (Domestic)	+ 1,047
Outside sales in China (Overseas)	(2,007)
Reflection of PPA results (Inventories)	(577)
Changes in SG&A expenses: Breakdown	
Sales-related expense	(872)
R&D expense	(207)
Traveling expense	+ 758
SG&A expense of PINAN TSUMURA MEDICINE CO.,	(1,205)
Amortization of goodwill, etc.	(533)
Other	+ 134

Financial Condition/Cash Flow Position

(Million yen)

	FY2019	FY2020	Change
Total assets	311,990	319,063	7,073
Current assets	196,973	204,273	7,300
Non-current assets	115,017	114,789	(227)
Total liabilities	97,993	85,894	(12,098)
Current liabilities	48,476	48,380	(95)
Non-current liabilities	49,516	37,513	(12,003)
Total net assets	213,997	233,169	19,171
Equity ratio	65.8%	68.3%	2.5pt

	FY2019	FY2020	Change
Inventories	75,806	80,755	4,948
Merchandise and finished goods	10,924	13,939	3,014
Work in process	12,418	13,396	977
Raw materials and supplies	52,463	53,419	955



※The 2019 results have been rearranged after PPA adjustment.

Today's agenda

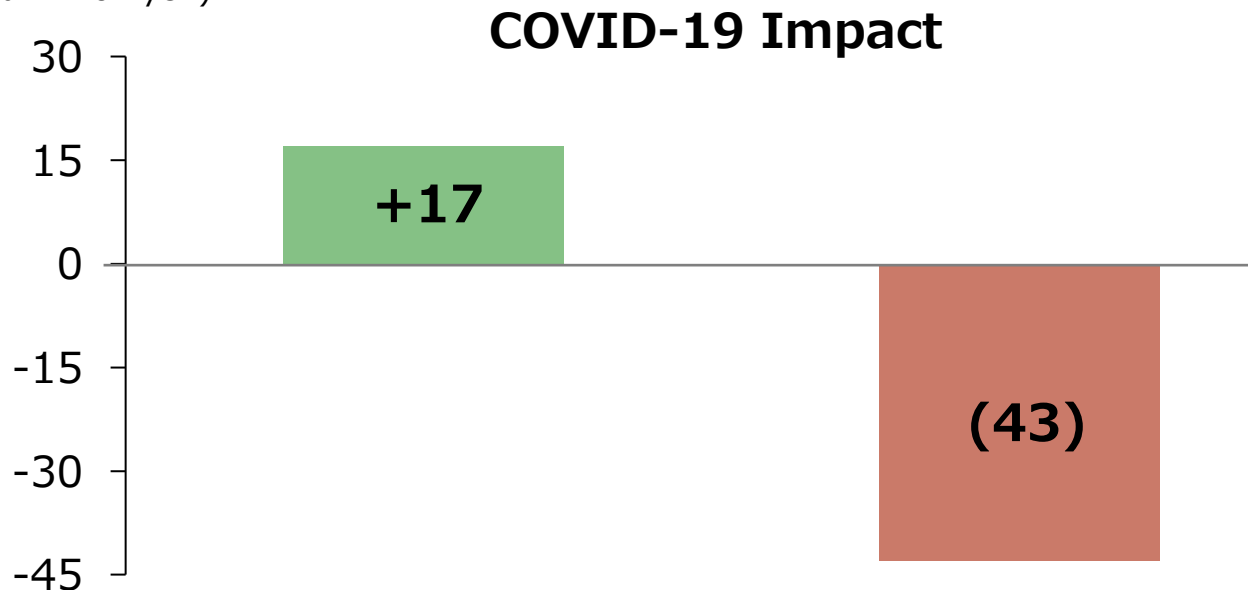
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Analysis of impact to sales of prescription Kampo products

(Actual sales basis)

Although there were rising expectations in Kampo for the alleviation of COVID-19 related symptoms, there was a major negative impact of around **¥2.6 billion** due to a decrease in prescriptions for treating the common cold.

(Hundred million yen)



(Common cold-related prescriptions: (¥2.7 billion))

Change in key prescriptions due to impact from COVID-19

(Actual sales basis)



Formulations with positive impact

Hochuekkito (Fatigue, loss of appetite)
Juzentaihoto (Fatigue, loss of appetite)
Kamishoyosan
(Anxiety, menstrual irregularity)
Hangekobokuto (Anxiety, insomnia)
Bofutsushosan (Obesity)
Keigairengyoto (Acne)
Seijobofuto (Acne)
Jumihaidokuto (Dermatitis)

Formulations with negative impact

- ✓ **Bakumondoto** (Cough, bronchitis)
- ✓ **Shoseiryuto** (Nasal inflammation, bronchitis)
- ✓ **Shosaikotokakikyosekko** (Tonsillitis)
- ✓ **Maoto** (Influenza, rheum/catarrh)
- ✓ **Chikujountanto** (Influenza, common cold)
- ✓ **Kakkontokasenkyushini**
(Nasal inflammation, nasal congestion)
- ✓ **Kikyoto** (Tonsillitis)
- ✓ **Shin'iseihaito**
(Nasal inflammation, nasal congestion)
- ✓ **Maobushisaishinto**
(Rheum/catarrh, bronchitis)
- Shakuyakukanzoto** (leg cramps)

*Common cold-related prescriptions, with the exception Shakuyakukanzoto

	Impact to operating activities
Positive 	<ul style="list-style-type: none">◇ Increase in opportunities to prescribe Kampo to treat COVID-19-related symptoms (Patients with anxiety and skin disorders, etc. ↑)◇ Rising expectations in Kampo (Contact via Web Lectures with doctors that prescribe 10 or less Kampo prescriptions ↑)
Negative 	<ul style="list-style-type: none">◇ Decrease, including for upper respiratory tract inflammation due to enforcement of infection prevention◇ Refraining from undergoing medical exams and decrease in number of surgeries◇ Fortify restrictions on visitations to hospitals

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Comparison with the prescription pharmaceutical market

(Drug price basis)

	Prescription pharmaceutical market (YoY)	Tsumura (YoY)	Market comparison from our perspective
Overall	(2.7)%	+1.6%	+4.3pt
Hospitals	(1.3)%	(1.9)%	(0.6)pt
General clinics	(3.7)%	+2.4%	+6.1pt

Sales of Drug-fostering Program Formulations/Growing Formulations

(Million yen)

	Net sales Ranking	Product No./formulation name	FY 2019	FY 2020	YoY		
Drug-fostering program formulations	1	100	Daikenchuto	10,357	10,394	+37	+0.4%
	2	54	Yokukansan	7,774	7,884	+110	+1.4%
	4	43	Rikkunshito	7,370	7,501	+130	+1.8%
	8	107	Goshajinkigan	3,603	3,628	+25	+0.7%
	24	14	Hangeshashinto	1,390	1,413	+22	+1.6%
Total sales for drug-fostering program formulations			30,496	30,822	+325	+1.1%	
Growing formulations	3	41	Hochuekkito	7,113	7,632	+519	+7.3%
	5	68	Shakuyakukanzoto	5,202	5,084	(118)	(2.3)%
	10	29	Bakumondoto	4,839	3,513	(1,325)	(27.4)%
	7	24	Kamishoyosan	4,598	4,873	+274	+6.0%
	6	17	Goreisan	4,491	4,960	+468	+10.4%
Total sales for growing formulations			26,245	26,064	(180)	(0.7)%	
Total sales for 119 formulations other than drug-fostering program and growing formulations			60,605	61,725	+1,119	+1.8%	
Total sales for 129 prescription Kampo products			117,347	118,612	+1,264	+1.1%	

Key positive factors versus the previous fiscal year

(YoY)

Daikenchuto
(+0.4%)



Realization of a market owing to awareness activities for abdominal bloating in tandem with constipation

Yokukansan
(+1.4%)



Recommend several prescriptions, including Ninjinyoeito, depending on the behavioral and psychological symptoms of dementia

Rikkunshito
(+1.8%)



Realize a market through awareness activities for upper abdominal symptoms in tandem with FD (functional gastrointestinal disorders) and GERD (gastroesophageal reflux disease)

Goshajinkigan
(+0.7%)



Deploy the provision of information, mainly in orthopedics, anesthesiology and urology

Hangeshashinto
(+1.6%)





As a dual promotion with Rikkunshito, deploy awareness activities on heartburn in tandem with GERD, using new EBM

Implement sales measures to cover the negative performance of sales to hospitals (HP) with sales to general practitioners (GP)

Three Important Domains of Sales Activities

- Positioned geriatric health; cancer (supportive care) and women's health as the three important domains and aim to concentrate our activities in these domains
- We plan to deploy a sales approach in the drug-fostering program formulations, growing formulations and three important domains

Geriatric health domain		Cancer domain (supportive care)	Women's health domain
Psychiatric and neurological disorders D Yokukansan + related formulations	Respiratory diseases G Bakumondoto + related formulations	Mitigation of side effects, etc. D Rikkunshito D Hangeshashinto D Goshajinkigan + related formulations	Diseases specific to women G Kamishoyosan + related formulations
Digestive system diseases D Rikkunshito D Daikenchuto G Hochuekkito + related formulations	Peripheral symptoms for frailty  D Goshajinkigan G Hochuekkito + related formulations		
Peripheral symptoms for circulatory disorders  G Goreisan + related formulations			
Other diseases and symptoms D Daikenchuto G Goreisan + related formulations			

Main symptoms and representative prescriptions for Kampo indications

Peripheral symptoms for circulatory disorders (Geriatric heart failure)

Edema, diarrhea, dizziness
(Goreisan) 

Fatigue (Hochuekkito) 

Loss of appetite (Rikkunshito) 

Bloating (Daikenchuto) 

Chills (Goshajinkigan) 


Constipation (Mashiningan)

Peripheral symptoms for frailty (Seniors/weakness)

Abnormal urination/pain
(Goshajinkigan) 

Fatigue (Hochuekkito) 

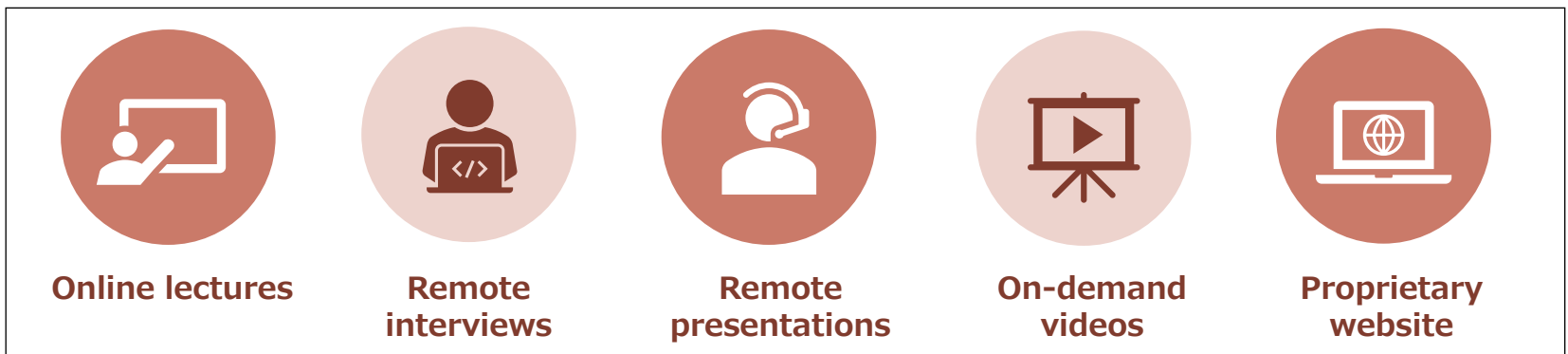
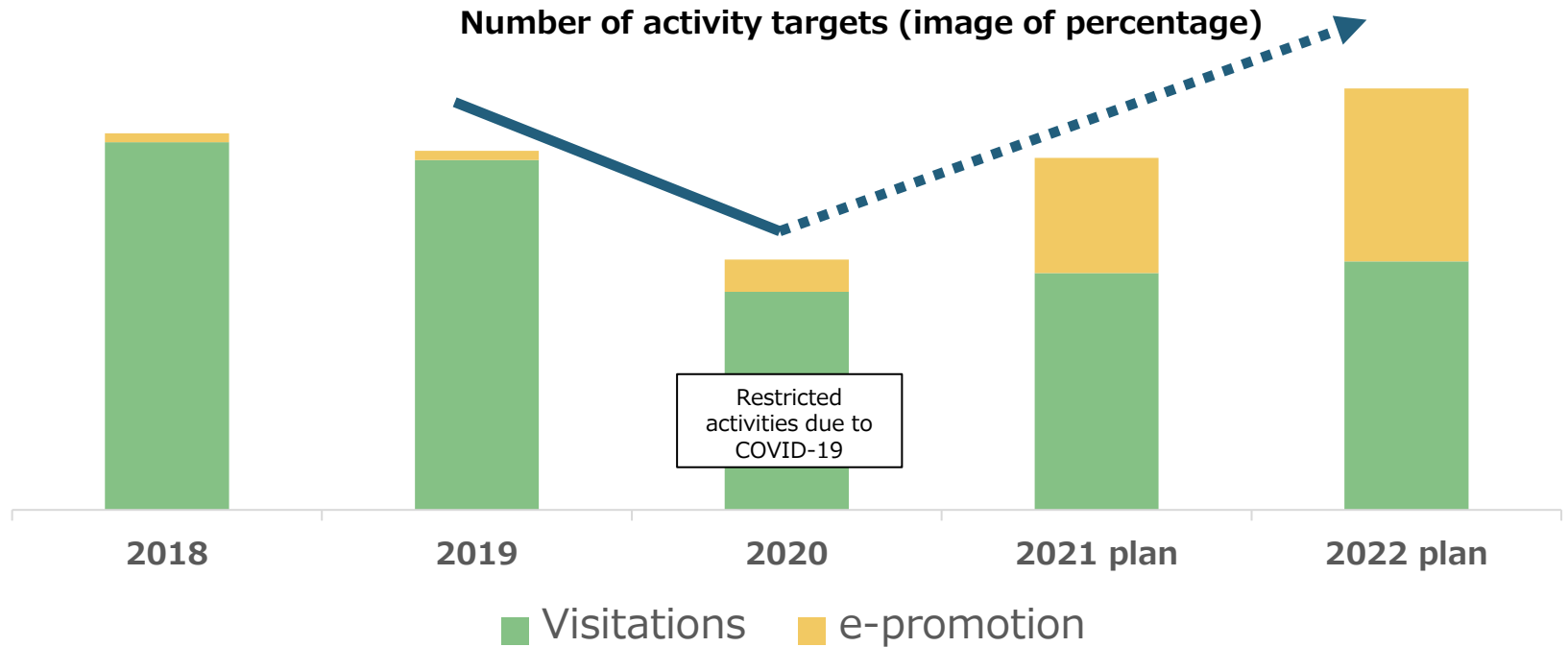
Loss of appetite (Rikkunshito) 

Insomnia (Yokukansan) 

Anxiety (Kamikihito)

Ideal information provision for a new generation

Increase contact with doctors via a new form of information provision activities



- Online lectures
- Remote interviews
- Remote presentations
- On-demand videos
- Proprietary website

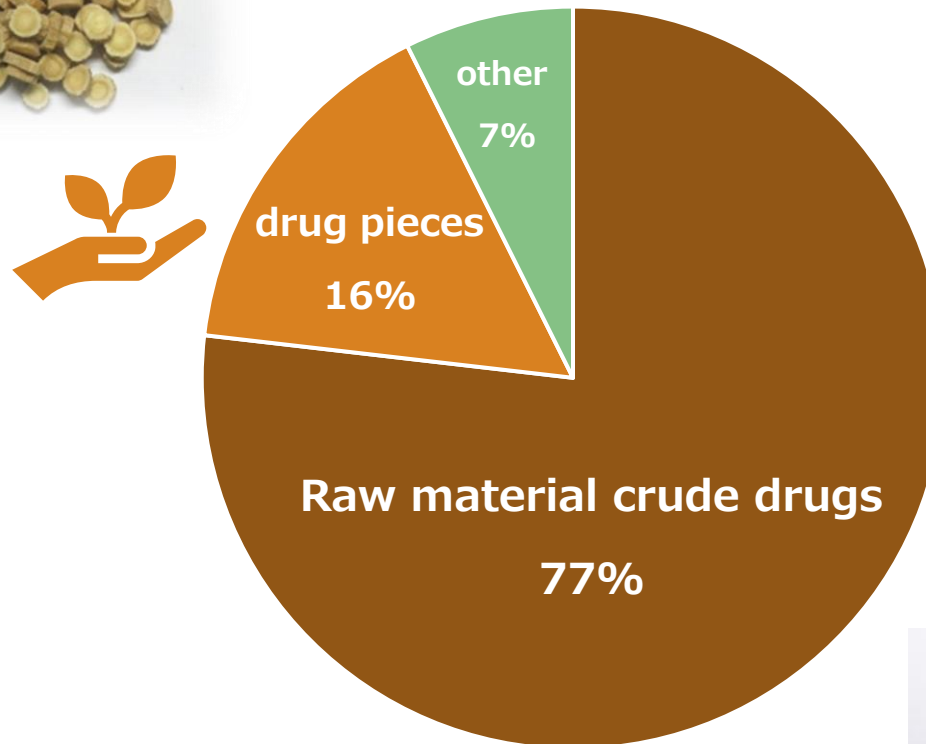
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Overseas sales : 6,367 million yen

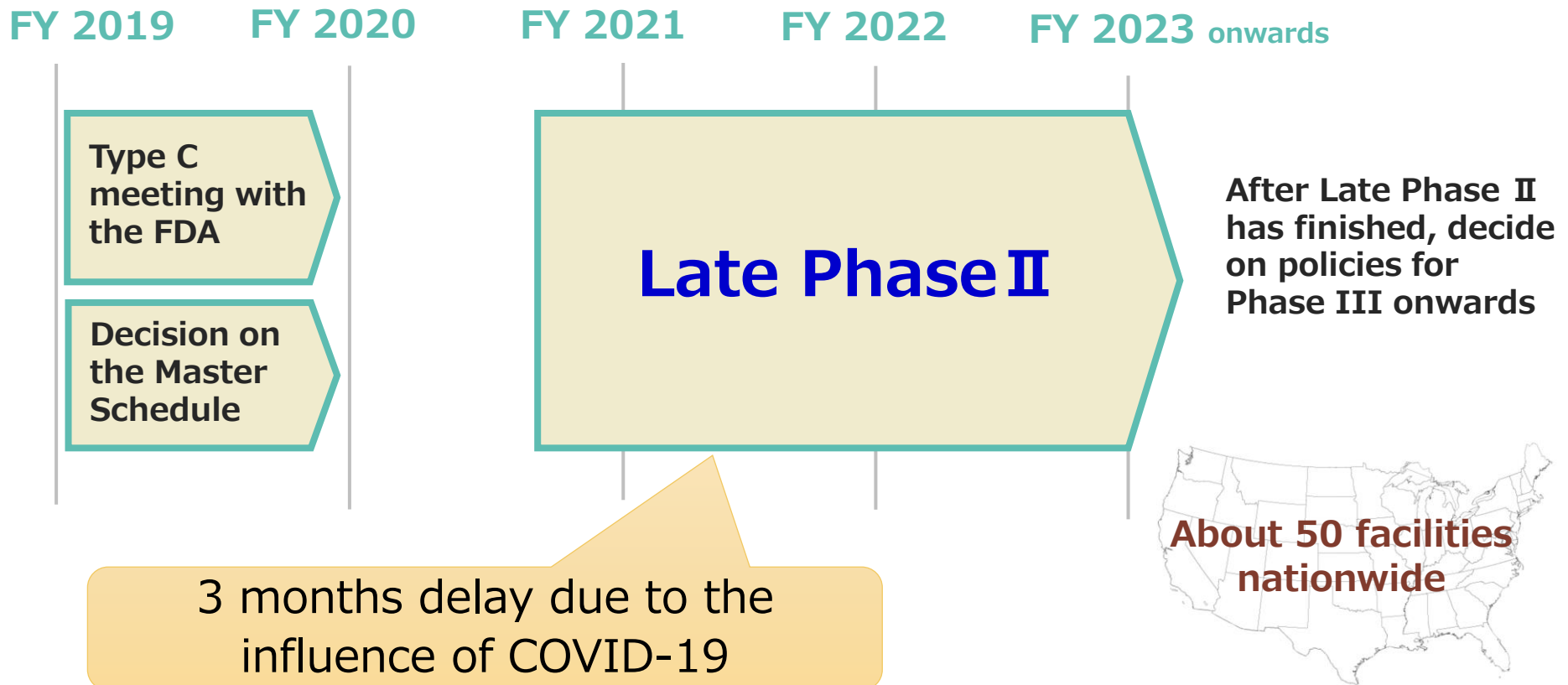


Overseas sales composition ratio



Policies for TU-100 (Daikenchuto) development in the United States

Target disease – Postoperative Ileus (POI)



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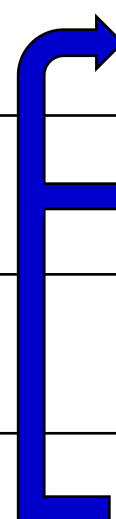
Change in Accounting Standards

Adoption of “revenue recognition standards” from FY 2021

[Reference: Assumption of adoption in FY 2020]

(Million yen)

	FY 2020 results (former standards)	FY 2020 results (new standards)	Impact
Net sales	130,883	116,413	(14,469)
Cost of sales	55,951	55,949	(2)
Gross profit	74,931	60,464	
SG&A	55,548	41,081	(14,467)
Operating profit	19,382	19,382	



FY2021 Forecast



(Million yen)

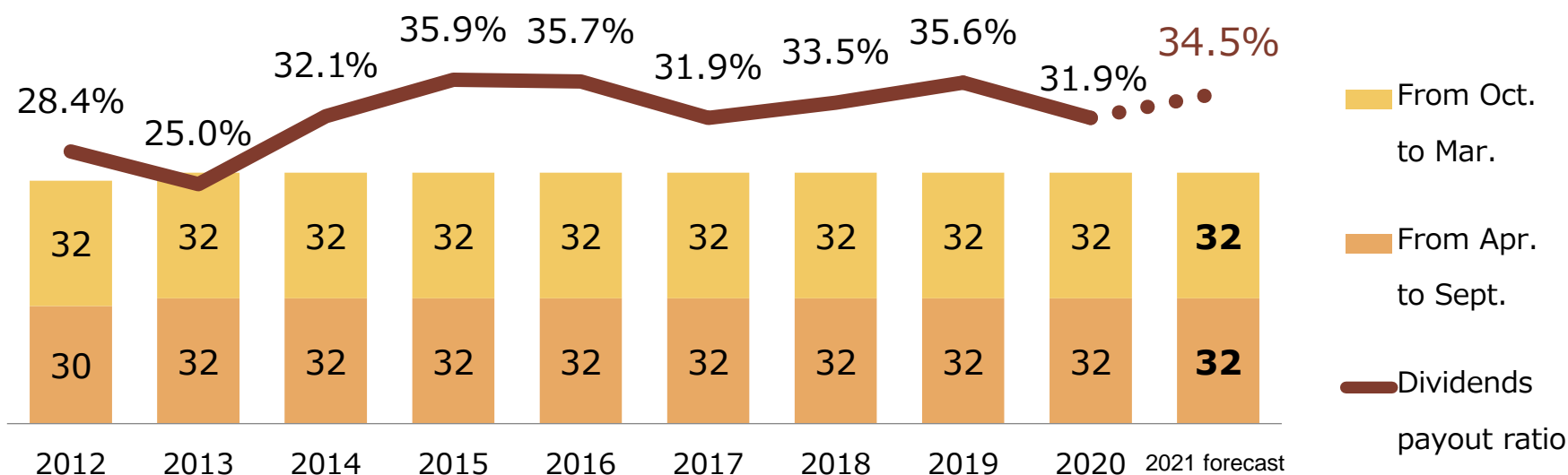
	FY2020 results (New Accounting Standards base)	FY2021 forecast	Vs. FY 2020	
			Amount	Growth
Net sales	116,413	122,500	+6,086	+5.2%
Domestic	-	113,700	-	-
Overseas	-	8,800	-	-
Operating profit	19,382	19,500	+117	+0.6%
Ordinary profit	20,866	20,000	(866)	(4.2)%
Profit attributable to owners of parent	15,332	14,200	(1,132)	(7.4)%

	FY2020 results	FY2021 forecast
Dividend (per share)	¥ 64	¥ 64
EPS	¥200.4	¥185.6
ROE	7.2%	6.4%

(Note) The above forecasts were prepared based on the information available as of the date of publication of this presentation. Accordingly, the impact of risks that cannot be predicted at this time, including the impact on socio-economic activities from the further spread of COVID-19, have not been factored in. Actual earnings performance may differ from the forecasts stated herein owing to various factors going forward. We will disclose trends and conditions in a timely and proper manner should there be any changes in the circumstances surrounding our company.

Policy

- We aim to improve our corporate value by continually expanding our Kampo business and through growth investments in the China business, and by building foundations. Accordingly, we plan to implement stable dividends, taking into account factors such as medium/long-term profit levels and cash flow conditions.



Note: The FY 2020 year-end dividend and payout ratio (forecast) are an estimate based on the assumption that the dividend resolution is approved at the 85th Ordinary General Meeting of Shareholders.

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Contribute to the health of
China's citizens



Stable procurement and supply
of raw material crude drugs

**Manufacturing of classical prescription
Chinese medicine complex formulations**
M&A of traditional Chinese medical product companies
Application for classical prescription Chinese medicines

Traditional Chinese medicine + sales channels
[Brick-and-mortar store]

Formulation platform

**Mainly classical
prescription Chinese
medicine complex
formulations**
Products for general
consumers
[Brick-and-mortar stores]
[Online market]

Ping An Healthcare and Technology
(Ping An Good Doctor)

Classical prescription
Chinese medicine
complex formulations

Products for
doctors
[Hospital market]
[Online market]

Ping An Healthcare and
Technology
(Ping An Good Doctor)

Drug pieces
[Hospital market]

**Drug piece
services**

[Online market]
Ping An Healthcare and
Technology
(Ping An Good Doctor)

Crude drug platform

Raw material crude drugs

[Tsumura Group/Peers] for the Japanese market
[Pharmaceutical market/Yakushokudogen product
market] for the Chinese market

Traditional
Chinese Medicine
Research Center

Post-market
survey, etc.

Development
and market
launch of
new products

Components
of evidence

Quality
assurance

Standards

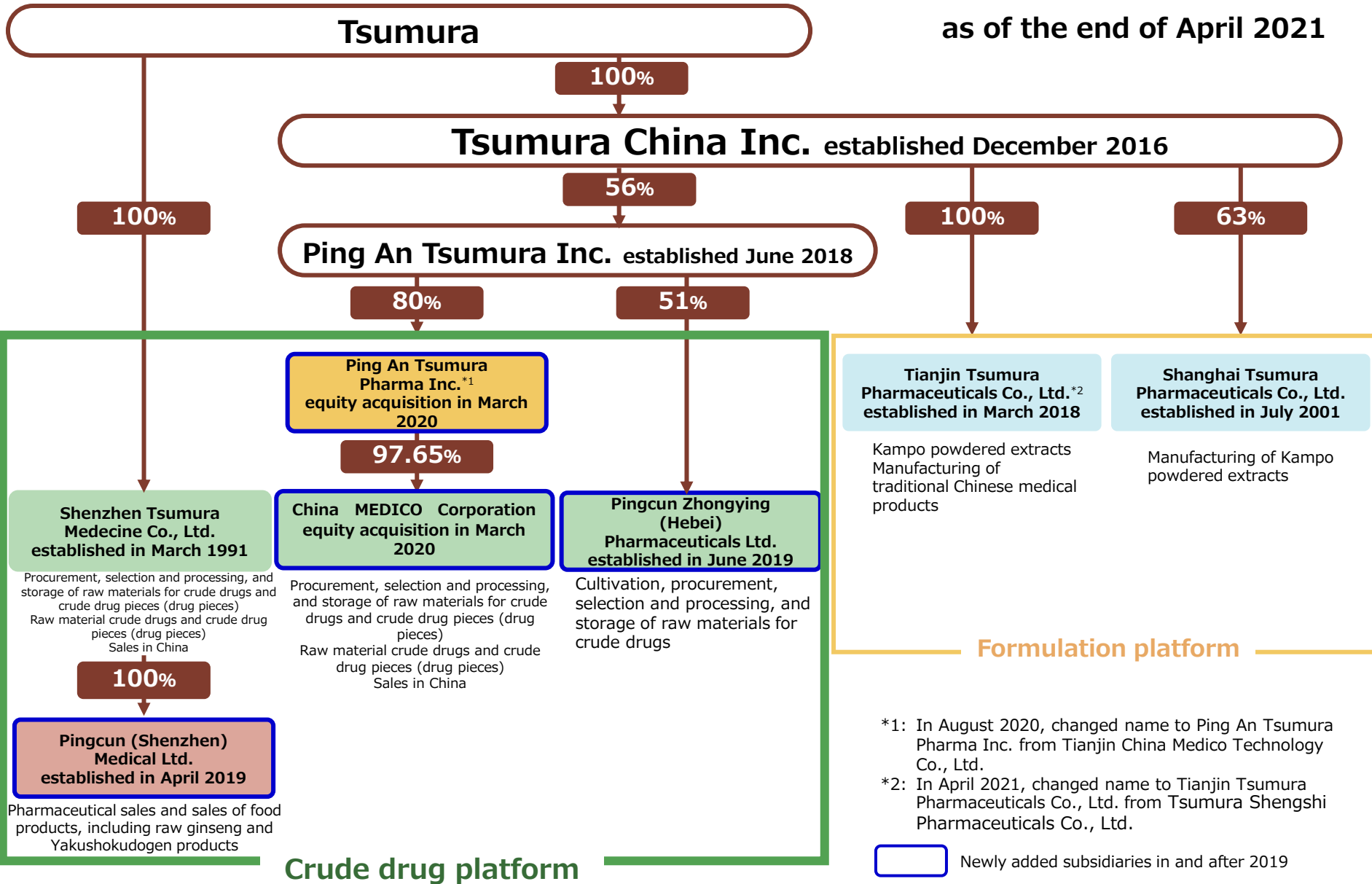
Quality
standards

Analytical tests

Cultivation
research

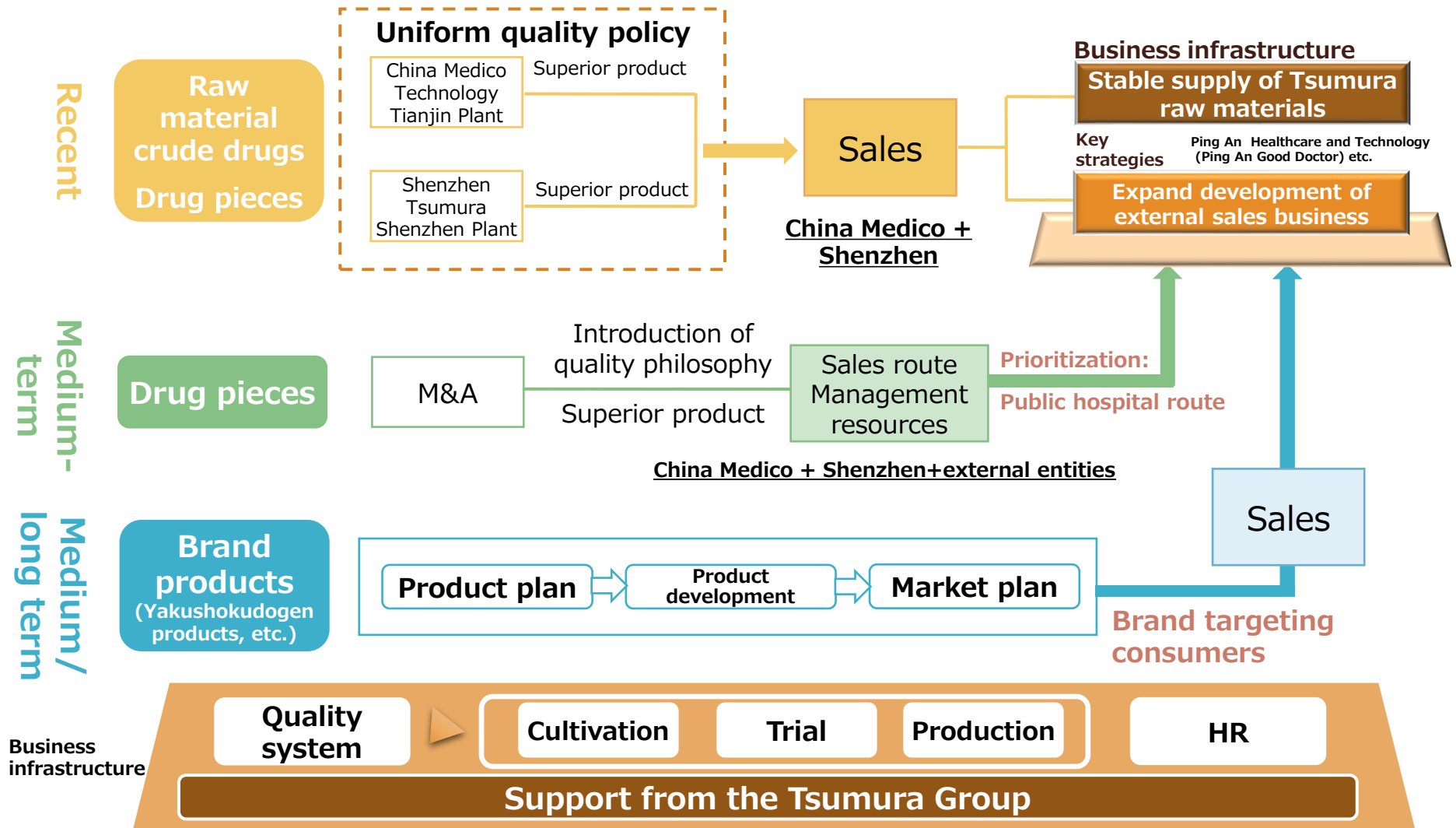
Diagram of Corporate Group Ties & Crude Drug Platform

as of the end of April 2021



Future Outlook for the Crude Drug Platform Business

Crude drug platform business vision: Envisage sales in China of 3 billion yuan (roughly ¥51.0 billion)



Future Outlook for the Formulation Platform Business

Formulation platform business vision: Envisage sales in China of 7.0 billion yuan (roughly ¥119.0 billion)



Aim to become a traditional Chinese medicine company that is trusted by the citizens of China by promoting Ping An-Tsumura brand products

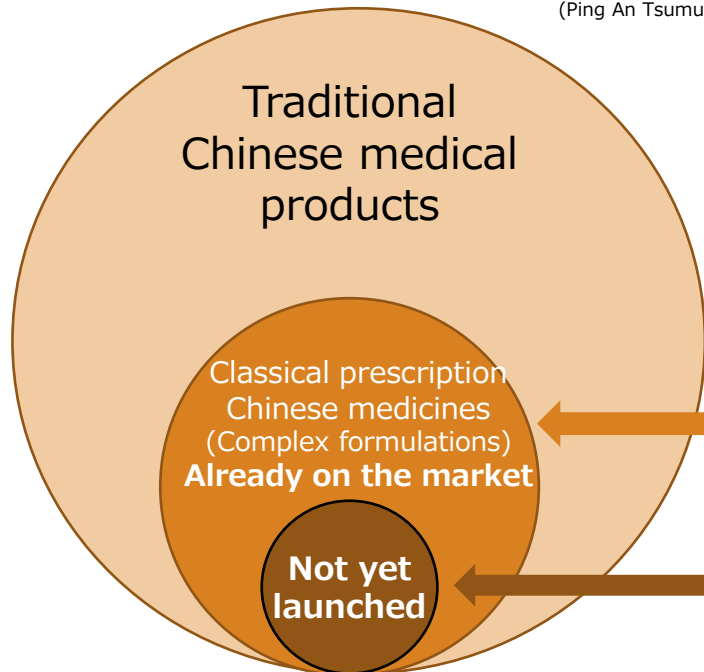
Business that places focus on classical prescription Chinese medicine prescriptions
(Originating from prescriptions listed in old medical books)

Traditional Chinese medicine

(Ping An Tsumura logo)



100 years of Tsumura,
a life time of Ping An



Prescriptions listed in old medical books
(Classical prescription Chinese medicines)

Prescriptions approved by the Chinese government and launched on the market
(1,607 prescriptions from the Pharmacopoeia of the PRC, from out of around 9,000 prescriptions)

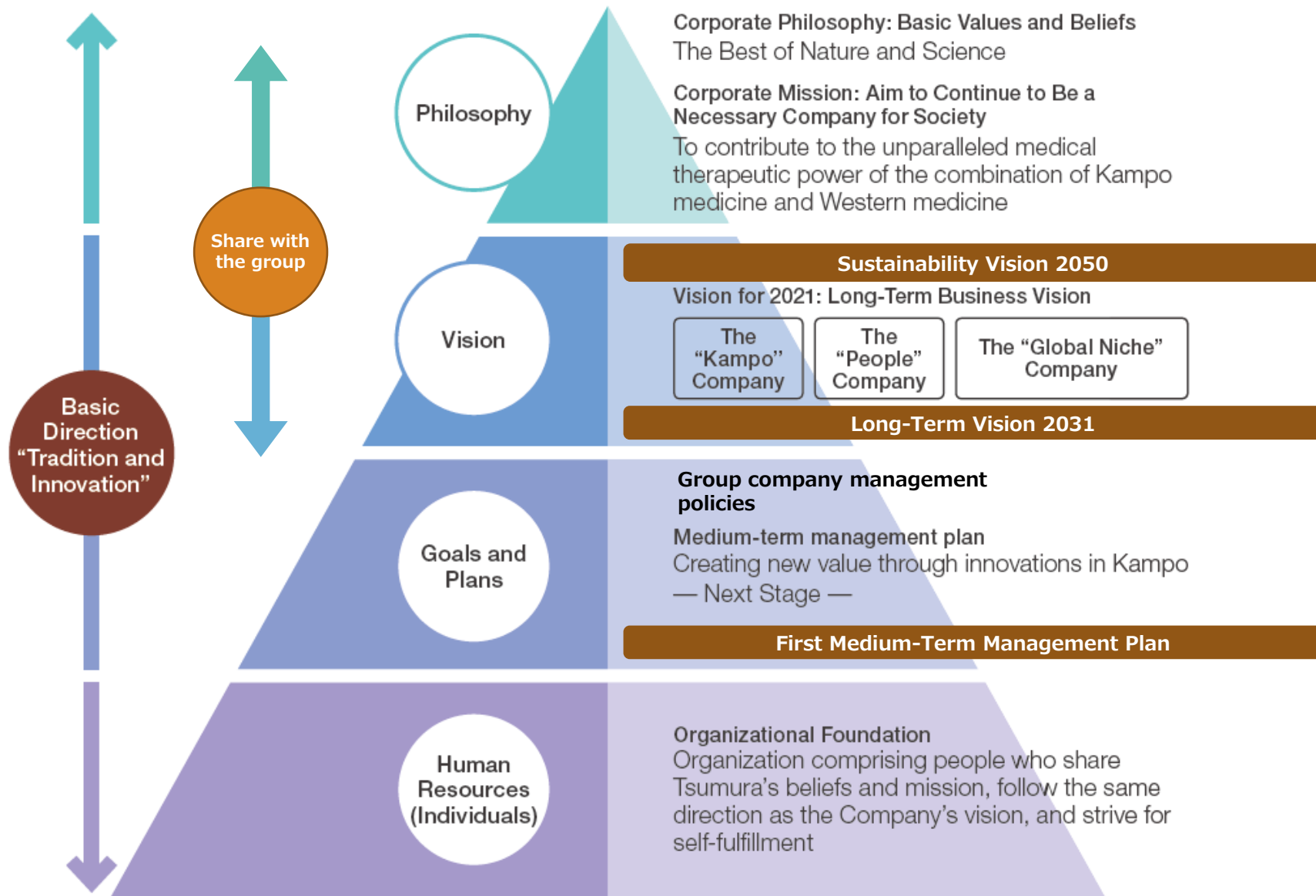
Prescriptions that are currently not on the market and for which applications are being filed for waiver of clinical testing
(100 prescriptions)



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Tsumura-DNA Pyramid



自然と健康を科学する



Nature

Continue to be a company that is highly sensitive to changes in the natural environment and crisis

Pursue an environment that focuses on a return to nature for everything, naturally for crude drugs but also including water and air

Health

Contribute to people's health and medical care by maximizing the use of nature's blessings

Get close to the mental and physical health of each person based on crude drugs

Science

Illuminate the mechanism of action and prove the therapeutic results of “traditional medicine,” which is the wisdom of humankind

Create happiness and social value for people through the preventive, presymptomatic and therapeutic treatments on a scientific basis

As a corporate group dealing in traditional medical products, become a presence that people cannot do without

Tsumura Juntendo

➔ **Obey the heavens**

Origin

“Mengzi”, classical Chinese literature
**Those who obey the Heavens will survive,
those against the Heavens will perish**
(Those who follow the heavenly law will prosper while those who oppose will perish)

“I Ching” 「順天應人」
(Obey the will of heaven, respond to people’s wishes)

Nature

Continue to be a company that is highly sensitive to changes in the natural environment and crisis
Pursue an environment that focuses on a return to nature for everything, naturally for crude drugs but also including water and air

❖ Aim to realize a recycling-oriented society in the Kampo value chain



- ◆ **Suigen no Mori (water source forest):**
Co2 absorption, water resource reservoir, and water quality purification
 - Tosa Tsumura Collaborative Forest
 - Yakugi no Mori (medicinal tree forest) in Yubari's far-reaching plan
 - Cultivation of cinnamon bark in Laos
- ◆ **Crude drug cultivation:** Cultivation of wild crude drug
Develop new cultivation methods
- ◆ **Resource saving:** Rectify distribution of package variety
- ◆ **De-plasticization:** Use aluminum pouches to replace bottled formulations
Consider new material heat seal
- ◆ **Water cycle use:** Circular use, including washing water
- ◆ **Crude drug residue:** Biomass fuel and composting
- ◆ **Renewable energy:** Convert to solar powered or natural energy power

Health

Contribute to people's health and medical care by maximizing the use of nature's blessings
Get close to the mental and physical health of each person based on crude drugs

- ❖ **Aim for curative treatment that suits each individual with Kampo made from raw material crude drugs, mainly plants**

Natural healing power

Kampo promotes improvement of symptoms by enhancing natural healing power that people originally possess

Mind and body as one

Kampo takes the heart and body as one, and creates balance between the heart and body

Different treatment for same disease and same treatment for different diseases

Different prescriptions are used to treat the same disease depending on the person / the same prescription is used to treat different disease (treatment suited for each individual)

[Ideal ultimate medical care]

- ✓ There is no east or west when it comes to treating people's illnesses
- ✓ Treatments that utilize the fortes of both
- ✓ Doctors licensed in Western medicine learn and prescribe Kampo medicine

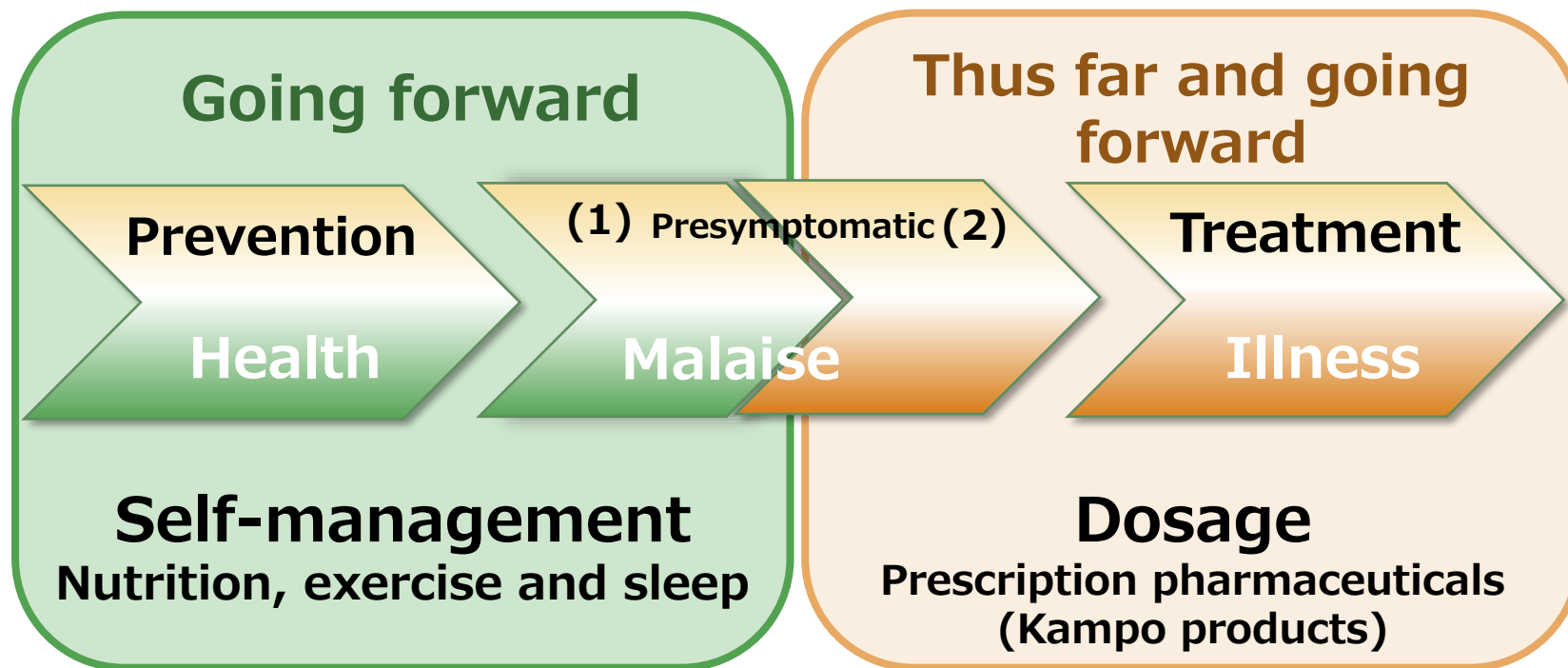


Science

Illuminate the mechanism of action and prove the therapeutic results of “traditional medicine,” which is the wisdom of humankind

Create happiness and social value for people through the preventive, presymptomatic and therapeutic treatments on a scientific basis

- ❖ Aim to provide health support for preventive, presymptomatic and therapeutic treatments on a scientific basis



(1) Presymptomatic as diagnosed using Western medicine: No subjective symptoms, test numbers are within a normal range but gradually worsens

(2) Presymptomatic as diagnosed using Kampo medicine: Just feel bad with subjective symptoms but test numbers are not abnormal

“Seven Forms of Capital” for Sustainability



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Cautionary items regarding forecasts

- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that the realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in Japan or other foreign countries related to healthcare insurance systems or regulations set by medical treatment authorities on drug prices or other aspects of healthcare or in interest and foreign exchange rates could negatively impact the Company's performance or financial position.
- In the unlikely event that sales of the Company's core products currently on the market be halted or should sales substantially decline due to a defect, unforeseen side effect or some other factor, there could be a major impact on the Company's performance or financial position.

appendix

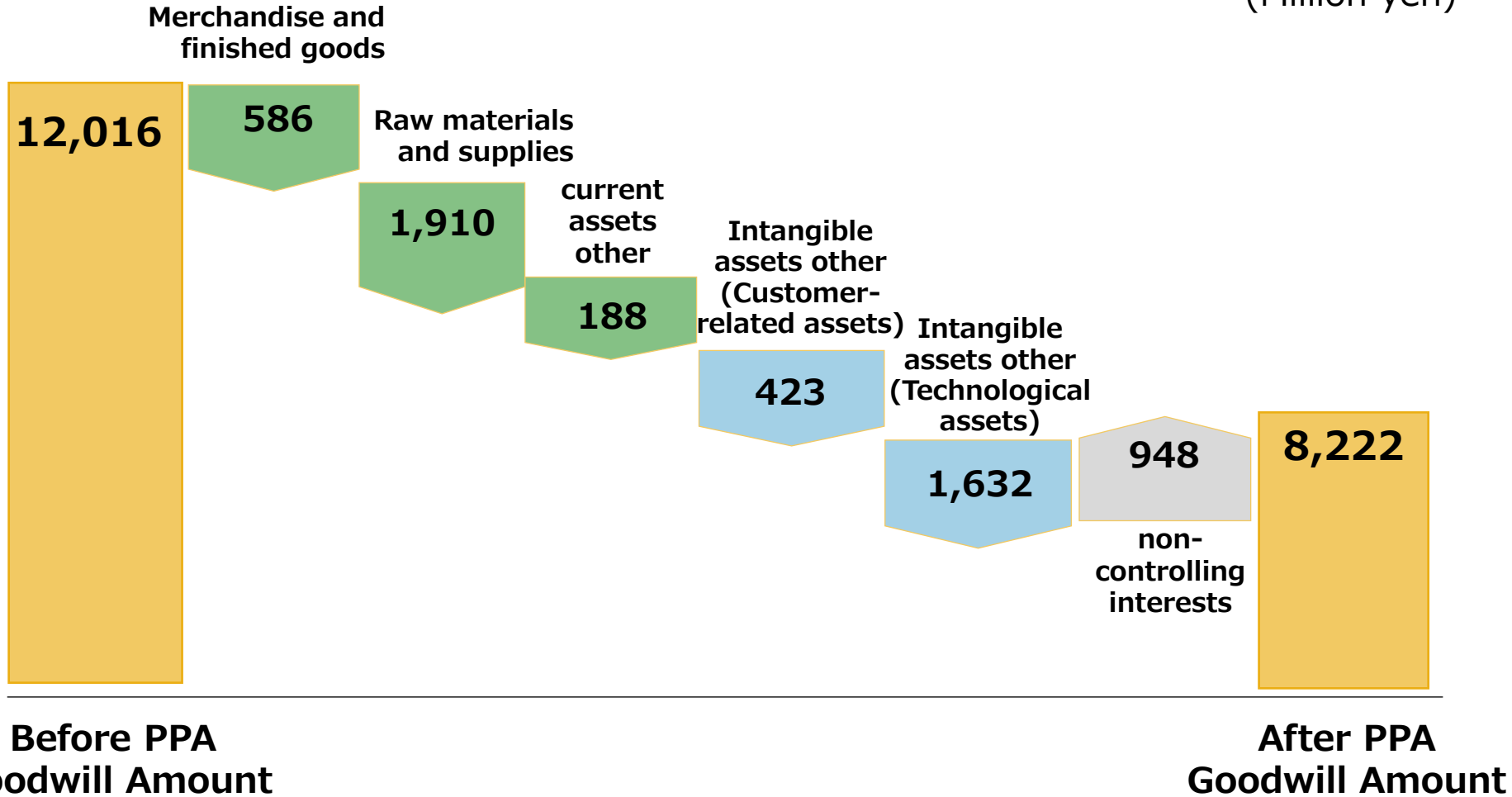
FY2021 The 3rd Medium-Term Management Plan (Apply new accounting standards to medium-term plan)

	FY2021 Forecast (The 3 rd Medium-term Management Plan)	FY2021 Forecast (The 3 rd Medium-term Management Plan) New Accounting Standards Base	FY2021 Forecast
Net Sales	Over 135.0 billion yen	Over 120.0 billion yen	122.5 billion yen
Operating Profit	Over 19 billion yen	Over 19 billion yen	19.5 billion yen
R O E	Over 6 %	Over 6 %	6.4%

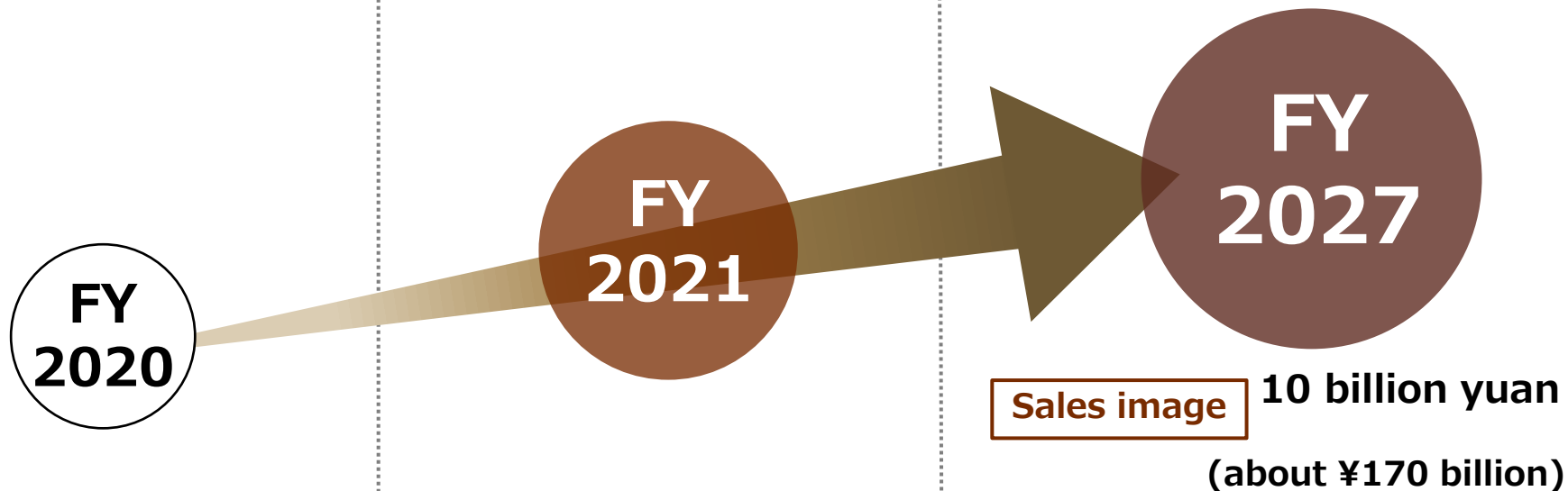
BS impact of PPA (Purchase Price Allocation) due to acquisition of PINAN TSUMURA MEDICINE Co.,



(Million yen)



Medium-term Management Plan and Vision for the China Business



FY 2020 Plan & Vision for the Crude Drug Platform

Raw material crude drugs, drug pieces, raw ginseng, Yakushokudogen products, etc.

Sales image 3 billion yuan
(about ¥51.0 billion)

Vision for the Formulation Platform

Classical prescription Chinese medicine complex formulations and traditional Chinese medicine (including M&A), etc.

Sales image 7 billion yuan
(about ¥119 billion)

*Exchange rate: ¥17/yuan (as of the time of the release of the Vision)